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SUBJECT: ITALY'S COMMERCIAL AND BUSINESS PRESENCE IN IRAN

REF: A. ROME 2034

[1](#)B. ROME 1876

[1](#)C. JUNE 22 2006 SIPRNET REPORT

[1](#)D. ROME 452

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Introduction

[1](#)1. (U) Total two-way trade between Italy and Iran reached 5.17 billion euros in 2005, making Italy Iran's second biggest trade partner in the EU in eurodollar terms. Italian companies also have an active presence in many sectors of the Iranian economy. Paragraph 3 lists companies with investments, specific on-going projects, or representative offices in Iran. This list is derived from the Ministry of Trade, which requires all Italian companies "doing business" with Iran to register with the Ministry. We have also drawn from company information found on the internet to provide a description of a company's business activities. The paragraph 3 list also includes Italian banks. For further information on Italy's financial and banking relationship with Iran, please see ref B.

[1](#)2. (U) Italy has at least 433.2 million euros in foreign direct investment in Iran as of December 31, 2004. However, that figure, in our view, is vastly understated. The figure does not take into account foreign direct investment through a service contract mechanism, whereby a firm can invest in, for example, the oil sector, but only by relinquishing the title to the infrastructure the firm builds, and only for the promise of a return through downstream oil flow proceeds. For example, ENI, Italy's oil and gas parastatal, reports it has invested 2.5 billion euros over a period of several decades. As you can see, this figure of 2.5 billion euros is not included in Italy's official foreign direct investment figure (433.2 million euros).

[1](#)3. (U) Italian Commercial Presence in Iran 2005.

Associazione Operatori Italiani in Iran: Association of Italian workers in Iran; not a company

Alcatel Italia S.p.A.: Providers of telecommunication equipment (broadband DSL)

Alitalia S.p.A.: Airline operators

Alstom Power Italia S.p.A.: Design and construction in electrical engineering

Ansaldo Energia: Supply and start-up of gas turbines

ASI-Robicon: Installation and start-up of electrical pumps

Banca Intesa S.p.A.: Bank/financial activities; loan exposure is 25 mm. euros (loan funded in euros)

Banca Nazionale Del Lavoro: Bank/financial activities; loan exposure is 80 mm. euros (loan funded in U.S. dollars)

BFS/SIMIC: Metal barrel production

Danieli & C. Officine Meccaniche: Construction of steelwork plants

De Nora: Electro-chemical technologies

Dietsmann Comerint: Technical training services, operation and maintenance; won the contract from ENI Iran B.V. to train future workers for the South Pars Phases 4 & 5 plant

Duferco: Structural steel trading

Edison International S.p.A.: Oil exploration and hydrocarbon research

Ensemble: Representative office for various Italian agencies and businesses; not a company

Eni Iran B.V.: Exploration and production of natural gas fields; currently working on South Pars Phases 4&5 plant

Fata Engineering S.p.A.: Engineering and architectural consulting

Fiat: Manufacturers of various models of Fiat automobiles

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Foster Wheeler: Petrochemicals, refineries, oil-gas engineering

Mediobanca: Bank/financial activities; loan exposure is 850 mm. euros (loans funded in U.S. dollars)

Mediocredito Centrale: Bank/financial activities; loan exposure is 850 mm. euros (loans funded in U.S. dollars)

Nalco Italiana S.p.A.: Producer of specialty chemicals and services for water treatment and industrial process treatment

Nassetti S.p.A.: Ceramics/kiln manufacturers, provides raw materials and equipment

Nuovo Pignone S.p.A. (GE): Provides oil and natural-gas services, as well as equipment

Pedrini: Provides technology and equipment for marble and granite; equipped Stone Factory 2 in Tehran

Saipem S.p.A. (ENI): Engineering; currently constructing and installing two below-sea pipelines on behalf of ENI/Agip as part of the South Pars Gas and Oil Project

SELI: Tunnel construction; operating in various phases of the South Pars Gas and Oil Project

Snamprogetti S.p.A. (ENI): Provides engineering and design for petrochemical plants; several projects in the works

Soilmec S.p.A.: Provides drilling and foundation equipment; recently outfitted the Mahshahr APC Piling Project, the biggest PVC (Polyvinyl Chloride) plant in the world

Sondel (Gruppo Falck): Electricity; currently constructing and administering a central electricity plant in Pareh Sar

Tecnimont S.p.A. (Edison): Petrochemicals; currently constructing a giant Low Density Polyethylene (LDPE) production unit

Technip Italy: Petrochemicals; currently equipping the Isfahan Refinery

Unicredit: Bank/financial activities; loan exposure is 20 mm. euros (loans funded in euros)

The Energy Sector

¶4. (U) ENI, which is 30 percent government-owned, has been active in Iran since the 1950s, and claims to have invested approximately \$2.5 billion under service contracts with the Iranian National Oil Company (NIOC). ENI is currently participating in the development of phases 4 and 5 of the South Pars Oil field. ENI's construction and engineering subsidiaries, Snamprogetti and Saipem, are also providing services to South Pars phases 4 and 5. Other ENI investments in Iran are reported ref D.

¶5. (U) Other Italian firms involved with the South Pars Project are: Dietsmann Comerint, which won a contract to train future workers for phases 4 and 5 of the plant and SELI, involved in tunnel construction for various phases of the South Pars Project. Outside the energy sector, SELI has been awarded contracts for the construction of several water/irrigation tunnels in Iran.

¶6. (U) Additional Italian companies active in the Iranian energy sector are: Soilmec S.p.A., which recently outfitted the Mahshahr APC Piling Project with drilling and foundation equipment; Sondel (Gruppo Falck), currently constructing and administering a central electricity plant in Pareh; Edison International S.p.A., involved with various projects in oil exploration and hydrocarbon research; Tecnimont, a subsidiary of Edison, currently constructing a Low Density Polyethylene (LDPE) production unit in Sanandaj; and Technip Italy, currently providing engineering services and equipment to the Isfahan Refinery.

¶7. (U) Italian companies with branches in Iran, but no reported current projects, are: De Nora, providers of chemical and petrochemical technologies; Ansaldo Energia and ASI-Robicon, both of which supply and start up electrical pumps; Foster Wheeler, involved in petrochemicals, refineries, and oil-gas engineering; Noyvallesina Engineering

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S.p.A., which provides petrochemical, textile, mechanical and chemical engineering services; and Nuovo Pignone S.p.A., which supplies oil and natural-gas services and equipment.

Telecommunications

¶8. (U) Alcatel Italia S.p.A. is currently fulfilling an agreement made with private Iranian operator ADA (Asre Danesh Afzar) to outfit 100,000 DSL lines in Iran by 2007/2008. We know of no other Italian and Iranian partnership in the telecommunications sector, except for Finmeccanica's proposed sale of Tetra telephone technology to two municipal police departments (ref A).

Transportation, Industry, and Manufacturing

¶9. (U) Fiat opened phase 1 of its dual-fuel automobile model production for the Iranian market in the second half of 2005; 100,000 vehicles are scheduled to be produced in the initial phase, with an additional 150,000 in the second. Alitalia, Italy's state-controlled airline, has a branch in Tehran. Alstom Power Italia S.p.A. is an electrical engineering firm. Pedrini, providers of technology and equipment for marble

and granite, recently equipped Stone Factory 2 in Tehran. Nalco Italiana S.p.A. is a producer of specialty chemicals and services for water- and industrial-process treatment. Nassetti S.p.A. is a provider of raw materials and equipment for ceramics and kiln manufacturing. Fata Engineering S.p.A. provides architectural and engineering consulting from their office in Tehran. Duferco's Iran branch is involved in structural steel trading. Danieli & C. Officine Meccaniche deals with the construction of steelwork plants. BFC/SIMIC is a metal barrel producer. All have branches in Tehran.

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